

TAXES, FEES AND SURCHARGES

Level 3's rates and charges for service are exclusive of the following taxes, fees and surcharges. These charges shall not be counted toward the attainment of any volume or revenue commitment and will not be discounted.

Taxes, fees and surcharges include, but are not limited to the following:

- Applicable federal, state, local, and foreign sales, use, excise, utility, gross receipts and value added taxes
- Tax-like charges to recover charges Level 3 is required or permitted by a governmental or quasi-governmental authority to collect from others or pay to others in support of statutory or regulatory funds or programs
- All other tax-like charges that are imposed or operate like taxes, but are not directly referred to as taxes
- Any tax imposed by an authority on the benefits of a promotion offered by Level 3 involving services or goods of a third party as well as all other taxes
- A tax-related surcharge to recover a tax or fee imposed in a jurisdiction which levies, or asserts a claim of right to levy:
 - A gross receipts tax, a license tax, or other tax-like charge on Level 3's gross receipts, revenues or operations; and
 - A tax on interstate access charges incurred by Level 3 for access to telephone exchanges based on the amount paid for interstate access charges; and
 - A Property Surcharge which allows Level 3 to recover a portion of the property tax it pays to state and local jurisdictions; and
 - A Cost Recovery Fee which allows Level 3 to recover regulatory fees and expenses incurred by Level 3 such as FCC regulatory fees, federal regulatory fees to fund programs, various State Public Utilities Commission (PUC) fees, various state business licenses, and various state annual regulatory fees; and
 - Franchise Cost Recovery Fees which allow Level 3 to recover local government franchise fees and right-of-way costs incurred for the use of the public right-of-way; and
 - A Texas Recovery Surcharge which allows Level 3 to recover the Texas Franchise Tax imposed by the State of Texas.
 - A Virginia Recovery Surcharge which allows Level 3 to recover the gross receipts tax imposed by the State of Virginia.
- An Administrative Expense Fee to recover a portion of internal costs and expenses incurred by Level 3 to implement, administer, and comply with federal regulations and programs.

All taxes, tax-like charges and the tax-related surcharges are referred to collectively as "Tax(es)."

- Level 3 will assess all applicable taxes and the customer will be responsible for paying these taxes.

If Level 3 collects Taxes and a challenged Tax is found to have been invalid and unenforceable, and if the amounts collected were retained by Level 3 or delivered over to the jurisdiction and returned to Level 3, Level 3, in its sole discretion, may reduce service rates for a fixed period of time in the future in order to flow-through to customers an amount equivalent to the amounts collected, credit or refund such amounts to affected customers (less its reasonable administrative costs), or negotiate an arrangement with the jurisdiction to provide a future benefit for customers in that jurisdiction.

- Level 3 reserves the right to collect any applicable Taxes retroactively.

If the Customer provides Level 3 with a duly authorized exemption certificate, Level 3 will exempt the Customer in accordance with law, effective on the date Level 3 receives the properly executed certificate.

- There are some charges that are not eligible for exemption.

If the Customer is required by the laws of any foreign tax jurisdiction to withhold income or profit taxes from a payment, within 90 days of the withholding, the Customer shall provide Level 3 with official tax certificates documenting remittance of the taxes.

- The tax certificates shall be in a form sufficient to document qualification of the taxes for the foreign tax credit allowable against Level 3's U.S. corporation income tax, and shall be accompanied by an English translation.
- Upon receipt of the tax certificate, Level 3 will issue the Customer a credit for the amounts represented.

More detailed information regarding applicable federal, state and local taxes, fees and surcharges is provided below:

Federal, state and local governments assess a variety of taxes and surcharges. Level 3 collects the required taxes and remits the appropriate amounts to the taxing agencies. There are several types of federal, state and local taxes, fees and surcharges that apply to services sold by Level 3 including:

- Federal Universal Service Fund Surcharge (FUSF) – see below section on FUSF for more detail
- Federal, state and local taxes, fees and surcharges – see below section on taxes for more detail
- Other surcharges – see below section on other surcharges for more detail

The information contained in this document is for reference only and is subject to change without notice. It is not intended to replace or supersede any Federal, State or Local laws and regulations. Updated information with respect to changes in Federal, State and Local taxes can be obtained from the respective governmental agencies.

FEDERAL UNIVERSAL SERVICE FUND (FUSF)

The Federal Universal Service Fund (FUSF) surcharge is billed at the FUSF rate established by the FCC. The rate changes from time to time, generally on a quarterly basis. It is a regulatory charge, not a tax. Below is a chart of previous quarterly rates.

- 1Q 2014 16.4%
- 2Q 2014 16.6%
- 3Q 2014 15.7%
- 4Q 2014 16.1%
- 1Q 2015 16.8%
- 2Q 2015 17.4%
- 3Q 2015 17.1%
- 4Q 2015 16.7%
- 1Q 2016 18.2%
- 2Q 2016 17.9%
- 3Q 2016 17.9%
- 4Q 2016 17.4%
- 1Q 2017 16.7%
- 2Q 2017 17.4%
- 3Q 2017 17.1%

As of the last publication date, the current FUSF surcharge is equal to 17.1% of all applicable charges appearing on a Customer's invoice. The FUSF surcharge applies to telecommunications services subject to direct regulation by the Federal Communications Commission (FCC), as well as to interconnected VoIP. A Customer will not be required to pay the FUSF if it demonstrates to the Company's reasonable satisfaction that it is acquiring the Company's services for resale, i.e., not for its own internal use, and is contributing directly into the government's Universal Service funding programs.

The FUSF will: (i) be calculated after the application of promotional and other discounts; (ii) not be eligible to receive promotional or any other discounts; (iii) not be included to determine satisfaction of usage volume requirements; (iv) be calculated based upon the rates and charges applicable to the Customer's total interstate and international service, unless otherwise specified; (v) apply to tax-like and/or tax-related surcharges as defined or described herein; and (vi) not apply to calls using Telecommunications Relay Service (TRS) or to calls originated by certified Customers with hearing or speech impairments.

Universal Service is a Federal Communications Commission (FCC) program designed to ensure affordable access to telecommunications services to low-income customers, rural areas, school and libraries, and rural healthcare facilities. The FUSF was established by Congress in order to promote and encourage telecommunications infrastructure and service availability nationwide. The FCC is the agency responsible for the regulation of domestic interstate and U.S.-to-international telecommunications services.

All telecommunications providers that offer interstate and international voice and data, private line, and other regulated services in the United States are required by the FCC to contribute on an equitable and nondiscriminatory basis to the FUSF.

This includes customers whose circuits with Level 3 have only one end-point in the United States, even if that circuit is being cross-connected by the customer ultimately to terminate internationally.

Interstate circuits have FUSF applied to 100% of the revenue if both ends of the circuit are within the United States.

International circuits have FUSF applied to 50% of the revenue when only one end-point is in the United States.

Taxes generally are assessed on the FUSF surcharge. It is important to understand that the FUSF surcharge is not a tax. It is a charge that the government imposes on telecommunications carriers on the voice and data revenues they collect. The FCC allows carriers to recover the cost of the surcharge from its end-user customers. Thus, the FUSF surcharge is not considered a tax and must be taxed as normal revenues.

FEDERAL, STATE AND LOCAL TAXES, FEES AND SURCHARGES BILLED IN ADDITION TO FUSF

Below is a summary list of the various federal, state and local taxes, fees and surcharges that Level 3 bills to its customers in addition to FUSF addressed above. Most of these charges are imposed directly on the customer and are collected and remitted by Level 3 as an agent for the taxing authority.

- Federal Excise Tax
- State, County, City and Special District Sales Taxes
- State and Local Telecommunications Taxes
- E-911 Fees
- Gross Receipts Tax Surcharges
- State Universal Service Fund Surcharges
- State Regulatory Fees
- State and Local Right of Way Fees/Franchise Fees
- Special Taxes and Fees

In some situations certain customers may be exempt from certain taxes and governmental surcharges. This is usually in the case of customers who are reselling the services they purchase or customers who are exempt charitable, government or religious organizations.

Level 3 does not determine a customer's tax-exempt status. It is the customer's responsibility to advise Level 3 of its tax-exempt status.

Level 3 will bill tax and surcharges until proper notice of exempt status and properly executed exemption documentation is provided.

Level 3 Surcharges discussed in the following section are not covered by the standard exemption policy described above.

Combined federal, state and local taxes, fees and surcharges can range from 0-45+%.

OTHER SURCHARGES

In addition to FUSF, federal, state and local taxes, fees and surcharges discussed above, Level 3 charges the following surcharges to recover fees imposed on the company for doing business in certain jurisdictions.

- Property Surcharge
- Cost Recovery Fee
- Franchise Cost Recovery Fee
- Texas Recovery Surcharge
- Virginia Recovery Surcharge
- Administrative Expense Fee

These surcharges are associated with certain taxes and fees imposed on Level 3, and are both consistent with our customer agreements and standard industry practice. These fees are allowed under our standard customer contracts and many carriers recover these fees in the form of surcharges.

PROPERTY SURCHARGE

A tax-related surcharge in addition to the other charges for service will apply equal to 3.75% of the total interstate, international and unregulated charges (including usage and non-usage charges) after the application of applicable discounts and credits, which allows the company to recover a portion of the property tax that it pays to state and local jurisdictions. Federal Universal Service Fund (FUSF) and other taxes, fees and surcharges may apply to the surcharge.

COST RECOVERY FEE

A tax related surcharge equal to 4.25% of all applicable charges appearing on a customer's invoice will apply to interstate and international telecommunications services subject to direct regulation by the Federal Communications Commission as well as to Interconnected VoIP service charges treated as interstate under FCC rules. This charge is imposed to recover amounts incurred by the company for regulatory fees and expenses such as FCC regulatory fees, fees to fund telecommunications services for the speech and hearing-impaired and North American Numbering Plan administration, various State Public Utilities Commission (PUC) fees, various state business licenses, and various state annual regulatory fees. Federal Universal Service Fund (FUSF) and other taxes, fees and surcharges may apply to the fee.

FRANCHISE COST RECOVERY FEES

A tax related surcharge to recover local government franchise fees and right-of-way costs incurred for the use of the public right-of-way will apply to customer invoices. The rates and application vary based on jurisdiction. Rates are provided below:

State	County	City	Rate
AL			0.06%
AL		Birmingham	5.00%
AL		Mobile	5.00%
AL		Montgomery	2.52%
AL	Jefferson		1.03%
AL	Mobile		1.10%
AZ		Phoenix	0.56%
AZ		Tempe	4.58%
AZ		Tucson	0.07%
AZ	Maricopa		0.25%
AZ	Pima		1.63%
CA			0.11%
CA		Azusa	5.00%
CA		Burbank	1.91%
CA		El Segundo	0.34%
CA		Glendale	2.12%
CA		Long Beach	4.24%
CA		Los Angeles	0.48%
CA		Sacramento	0.06%
CA		San Diego	0.04%
CA		San Francisco	1.05%
CA		San Bruno	0.74%
CA		San Carlos	1.00%
CA		San Mateo	0.10%
CA		Mountain View	0.09%
CA		Sunnyvale	0.01%
CA	Alameda		5.00%
CA	El Dorado		5.00%
CA	Los Angeles		0.01%
CA	Orange		0.04%
CA	San Luis Obispo		0.66%
CO		Aurora	0.14%
CO		Denver	0.01%
CO		Littleton	0.18%
CO		Broomfield	0.60%
CT			0.02%
CT	Fairfield		0.89%
DC			5.00%

GA		0.67%
GA	Macon	2.59%
GA	Atlanta	0.45%
GA	Kennesaw	0.18%
GA	Marietta	0.62%
GA	Roswell	0.57%
GA	Smyrna	0.20%
GA	Chamblee	1.01%
GA	Doraville	0.12%
GA	Dunwoody	0.58%
GA	Alpharetta	0.30%
GA	Hapeville	1.02%
GA	Sandy Springs	0.41%
GA	Duluth	0.39%
GA	Norcross	0.37%
GA	Suwanee	0.88%
GA	Columbus	0.37%
GA	Bibb	5.00%
GA	Decatur	0.32%
GA	Dougherty	3.21%
GA	Fulton	0.04%
ID		0.02%
ID	Boise	0.04%
IL		0.25%
IL	West Chicago	4.66%
IL	Wood Dale	2.76%
IL	Waukegan	1.20%
IL	Cook	0.07%
IN	Merrillville	3.12%
KS		0.55%
KS	Leawood	0.33%
KS	Lenexa	0.06%
KS	Olathe	0.21%
KS	Overland Park	0.09%
KS	Topeka	5.00%
LA		1.04%
LA	Shreveport	1.18%
LA	Baton Rouge	1.96%
LA	New Orleans	5.00%
LA	Jefferson	0.31%
LA	St. Charles	0.18%

MA			5.00%
MA		Cambridge	0.35%
MA		Boston	0.05%
MA	Middlesex		0.52%
MD			2.54%
MD		Laurel	2.59%
MD		Frederick	0.32%
MD		Columbia	0.22%
MD	Howard		0.22%
MD	Montgomery		1.99%
MI			0.39%
MO			0.01%
MO		Kansas City	1.32%
MO		Saint Louis	2.44%
MO		Creve Coeur	5.00%
MO	St. Louis		2.45%
MS			0.03%
MS		Olive Branch	1.42%
MS		Jackson	0.21%
MS	Rankin		2.68%
MS	Stone		5.00%
NC		Greensboro	1.86%
NC		Charlotte	0.09%
NE		La Vista	5.00%
NE	Sarpy		0.25%
NJ	Mercer		1.18%
NJ	Somerset		0.11%
NM			2.70%
NM		Albuquerque	0.85%
NM		Rio Rancho	0.85%
NV			0.09%
NV		Boulder City	5.00%
NV	Clark		1.08%
NY		Buffalo	0.75%
NY		Rochester	0.04%
NY		Syracuse	0.07%
NY		White Plains	0.13%
NY	Bronx		2.79%
NY	Queens		2.79%
NY	Richmond		2.79%
NY	Kings		2.79%
NY	New York		2.79%
OH			0.02%

OH		Columbus	0.30%
OH		Dublin	1.16%
OH		Westerville	0.05%
OH		Hilliard	0.72%
OH		Worthington	0.10%
OH		Cincinnati	0.03%
OH	Erie		5.00%
OK			0.04%
OK		Sand Springs	3.87%
OK		Tulsa	1.52%
OR			0.95%
OR		Lake Oswego	4.22%
OR		Milwaukie	5.00%
OR		Oregon City	5.00%
OR		Prineville	1.12%
OR		Eugene	5.00%
OR		Salem	5.00%
OR		Beaverton	3.29%
OR		Hillsboro	0.98%
PA			0.85%
PA		Pittsburgh	0.02%
PA		Beaver Falls	2.82%
PA		Oil City	1.70%
PA		Greensburg	0.21%
PA	Allegheny		0.02%
PA	Lancaster		0.36%
TN		Memphis	0.27%
TX			0.02%
TX		Dallas	1.35%
TX		Columbus	5.00%
TX		Irving	0.03%
TX		Fort Worth	0.05%
TX		Southlake	2.80%
TX		Beaumont	4.02%
TX		Waco	0.41%
TX		Haltom City	3.83%
TX	Fort Bend		0.10%
TX	Hays		0.86%
UT			0.40%
UT		Saint George	1.29%
UT	Summit		5.00%
VA			0.02%
VA		Fairfax	5.00%

VA		Norfolk	1.76%
VA	Chesterfield		2.10%
VA	Fairfax		0.98%
VA	York		5.00%
VT			0.06%
WA			0.39%
WA		Seattle	0.06%
WA		Tacoma	1.00%
WA	Thurston		0.19%
WI		Madison	0.28%
WI		Milwaukee	0.07%
WY			3.93%
WY		Cheyenne	1.18%

TEXAS RECOVERY SURCHARGE

A tax related surcharge equal to 0.665% of certain charges attributable to Texas service locations will apply to customer invoices to recover Texas Franchise Tax imposed by the State of Texas.

VIRGINIA RECOVERY SURCHARGE

A tax related surcharge equal to 0.5% of certain charges attributable to Virginia service locations will apply to customer invoices to recover the gross receipts tax imposed by the State of Virginia.

ADMINISTRATIVE EXPENSE FEE

A tax related fee equal to 0.95% of all applicable charges appearing on a customer's invoice will apply to interstate and international telecommunications services subject to direct regulation by the Federal Communications Commission as well as to Interconnected VoIP service charges treated as interstate under FCC rules. This charge is imposed to recover a portion of internal costs and expenses incurred by Level 3 to implement, administer, and comply with federal regulations and programs. Customer is not required to pay the Administrative Expense Fee if it demonstrates to Level 3's reasonable satisfaction that it meets the requirements to be exempt from the Federal Universal Service Fund surcharge. Federal Universal Service Fund (FUSF) and other taxes, fees and surcharges may apply to the fee.

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